

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of)

Implementation of the Pay Telephone)
Reclassification and Compensation)
Provisions of the Telecommunications)
Act of 1996)

CC Docket No. 96-128

NYNEX Telephone Companies)

Offer of Comparably Efficient)
Interconnection to Payphone)
Service Providers)

COMMENTS OF THE
INMATE CALLING SERVICE PROVIDERS COALITION
ON NYNEX TELEPHONE COMPANIES' CEI PLAN

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SUMMARY

NYNEX's CEI plan must be rejected because it fails to describe at all the manner in which NYNEX intends to provide inmate calling services ("ICS") and the manner in which it will provide network support for those services and independent ICS providers.

Because NYNEX has not provided any specific information about its ICS or the CEI applicable to ICS, it is impossible to determine whether NYNEX has complied with CEI requirements or even whether NYNEX has properly distinguished between its deregulated ICS operation ("ICSO") and regulated network functions. The ICS environment is quite different from the public payphone environment. Collect calling is fundamental to ICS just as coin calling is fundamental to public payphones. ICS increasingly requires a sophisticated call control system, which is discrete equipment dedicated to a particular facility. Whether located on the confinement facility premises or in the central office, this system must be defined as part of nonregulated ICS. Processing of collect calls is typically integrated with, and in any event closely coordinated with, call control. Finally, bad debt represents a far higher proportion of ICS calls than of other calls. Bad debt and its associated costs are a significant risk associated with the ICS business and must be defined as a responsibility of the Bell companies' ICS operations.

NYNEX's CEI plan provides no indication of whether NYNEX properly defines its ICS call processing and call control system as part of its ICS. Regardless of where those systems are physically located, they must be defined as part of ICS. Section 276 requires deregulation of "payphone service," defined to include, "the provision of inmate telephone

service in correctional institutions, and any ancillary services." 47 U.S.C. § 276(d) (emphasis added). For all that appears, NYNEX intends to continue defining its ICS as an unseparated regulated service, to which its nonregulated equipment division and independent ICS providers may presubscribe their inmate telephones in return for a commission.

This approach would make a mockery of Section 276 and the CEI requirement. To define ICS as a regulated service means that all the costs associated with the high level of bad debt incurred by ICS would continue to be subsidized by NYNEX's regulated services. If NYNEX is able to continue subsidizing its ICS operation and discriminating against independent ICS providers, a competitive ICS market will not be achieved as Congress intended. Further, established ICS providers would be unable to utilize NYNEX's ICS without stranding their investment in their own ICS systems. It is critical that NYNEX's ICS be removed from regulation and associated subsidies as Congress intended.

NYNEX must be required to refile its CEI plan showing how its ICS operation will be fully unbundled from regulated services and how CEI will be made available to independent ICS providers. Specifically, for example, NYNEX must detail (1) how its ICSO is charged for network usage; (2) the rates, terms and conditions under which any regulated operator functions are provided to NYNEX's ICSO; (3) how it will ensure that fraud protection information is available equally to NYNEX's ICS and other ICS providers; (4) how it will ensure that validation is provided on a nondiscriminatory basis; (5) how bad

debt is treated for its own and competing ICS; and (6) what technical interfaces (including interfaces for physical or "virtual" collocation) are available to NYNEX's ICSO and independent ICS providers.

Finally, even if NYNEX's ICS call processing systems could legally be treated as part of regulated services, NYNEX must refile its CEI plan to show how those regulated call processing systems interface with nonregulated ICS and independent providers, how they are tarified for resale by NYNEX's ICS and independent providers, and how the validation and fraud prevention services discussed above will be made available on an unbundled basis.

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**COMMENTS OF THE
INMATE CALLING SERVICE PROVIDERS COALITION
ON NYNEX TELEPHONE COMPANIES' CEI PLAN**

Pursuant to the Commission's January 8, 1997 Public Notice, the Inmate Calling Service Providers Coalition ("ICSPC") submits these comments on the NYNEX comparably efficient interconnection ("CEI") Plan, filed by NYNEX on January 3, 1997.

ICSPC generally concurs with and adopts the comments filed by the American Public Communications Council ("APCC") on service order processing, installation and maintenance, volume discounts, and other issues that are not specific to coin-paid calling. ICSPC's comments focus on the issues that are specific to inmate calling service ("ICS").

DISCUSSION

NYNEX's CEI Plan does not say anything at all about the manner in which NYNEX intends to comply with CEI parameters with respect to inmate calling services, as distinct from public payphone services. Overall, NYNEX's CEI Plan is so vague with respect to inmate calling service ("ICS") that the Commission (and interested parties) cannot evaluate whether the Commission's nondiscrimination requirements will be met. Essentially, NYNEX merely recites the CEI equal access parameters and nonstructural safeguards, and states that it will meet them. It does not, however, specify how it plans to implement them. Thus, the plan provides no assurance that NYNEX will eliminate subsidies and discrimination in favor of its ICS, as required by Section 276 and the Payphone Order.¹

I. NYNEX'S PLAN FAILS TO DESCRIBE THE MANNER IN WHICH IT WILL PROVIDE NETWORK SUPPORT FOR ITS INMATE CALLING SERVICES

A. NYNEX's Failure To Discuss ICS Requires Rejection of Its CEI Plan

NYNEX is required to "explain how it will provide basic payphone services and unbundled functionalities."² However, the plan fails to explain what network support, if any, is being provided to NYNEX's inmate calling service operations ("ICSO"), because

¹ Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128, Report and Order, FCC 96-388 (Sept. 20, 1996) ("Payphone Order"), and Order on Reconsideration, FCC 96-439 (Nov. 8, 1996) ("Payphone Reconsideration Order").

² Payphone Reconsideration Order at ¶ 213.

NYNEX has not described its ICS operations at all. There is no description. In order for NYNEX to show how it is offering CEI to other ICS providers, it has to say how and what network and other support it is offering to its own ICS and what support services NYNEX is providing or not providing to its own ICSO.³

B. NYNEX's Failure To Address ICS Prevents The Commission From Determining Whether NYNEX Is Complying With Section 276

Because NYNEX has not provided any specific information about its ICS or the CEI applicable to ICS, it is impossible to determine whether NYNEX is complying with the Payphone Order's CEI requirement, or even whether NYNEX has properly distinguished its ICS, which Section 276 classifies as nonregulated, from regulated network functions. The Commission is required to guess at whether NYNEX's ICS and the regulated network functions supporting it have been properly defined.

NYNEX's failure to provide a specific description of how its network supports its ICS is critical because the ICS environment is quite different from the regular public payphone environment. A discussion of the special characteristics of ICS was included in ICSPC's comments in CC Docket No. 96-128, and is attached to these Comments. See Attachment 1.

Some of the distinctive characteristics of the ICS environment, and their legal and public policy consequences, can be summarized as follows. First, coin payphones are

³ Amendment of Section 64.702 of the Commission's Rule and Regulations (Third Computer Inquiry), Report and Order, 104 FCC 2d 958, 1054-55 (1986) (subsequent history omitted).

generally not provided for inmate use. The predominant method of calling is collect calling, which is generally the only method allowed.⁴ Thus, collect calling is clearly integral to -- and in any event, at least "incidental" to -- the "payphone service" business in the ICS environment. See 47 U.S.C. § 276(d).

Second, because confinement facilities have special needs to control inmate calling and because the incidence of fraudulent and uncollectible calls from confinement facilities is especially high, ICS requires sophisticated call control functions which are customized to the facilities' particular needs. These call control functions are usually carried out in equipment located on the premises of the confinement facility, and in any event, even if physically located in a central office or comparable facility, are either dedicated to or specially programmed for the particular confinement institution. Therefore, the call control system must be defined as part of a Bell Company's nonregulated ICS facility.⁵

Third, there is necessarily an integral relationship between the call control functions and the processing, billing and collection of ICS calls. Without effective call control safeguards, which effectively minimize calling to numbers known to be involved in fraudulent and uncollectible calls, the incidence of bad debt is likely to reach unacceptable

⁴ In jails, which generally are located relatively close to the inmates' homes, the calls are predominantly local and intraLATA.

⁵ Some functions that would ordinarily be part of call processing in the public payphone environment -- e.g., identification of unbillable numbers -- are likely to be treated as part of call control in the ICS environment. The fact that, in the ICS environment, some functions can move between control processing and call control shows the integral relationship between control and processing. See text following this note.

levels that preclude the ICS business from being profitable. Therefore, call control and call processing are typically integrated in a single system under the ICS provider's control. Even if call processing is provided separately -- e.g., through network-based collect calling features -- it must be subject to special restrictions and must be coordinated with the call control functions. Therefore, it is critical for Bell companies' CEI plans to describe in detail the manner in which their networks support the processing, billing and collection of the collect calling services provided by their ICS operations.

Fourth, even with an effective call control and call processing system, bad debt is substantially higher for ICS than for ordinary collect calling. Therefore, if subsidies and discrimination in favor of Bell Companies' ICS are to be eliminated, as Section 276 requires, the Bell company's ICS must be defined in such a way that the nonregulated entity has responsibility for the costs associated with uncollectible calls. Otherwise, the Bell Company's costs associated with bad debt from ICS will continue to be subsidized by other regulated services.

NYNEX's CEI plan fails to provide any information enabling the Commission to determine whether NYNEX's ICS and supporting CEI are configured consistently with these criteria. Therefore, NYNEX must be ordered to refile its plan.

**C. The Commission Must Not Allow NYNEX to Define
Its ICS As Part of Regulated Network Services**

As discussed above, the central components of an inmate calling service are (1) the call control functions, which implement restrictions on the timing and permissible destinations of inmate calls, and contain mechanisms to monitor, detect and restrict

fraudulent or prohibited calls, and (2) the call processing functions, which validate, complete, and prepare billing information for inmate calls. Independent ICS providers typically provide both components on-premises as part of a single, integrated system. Even if the two components are not integrated, they must be closely interrelated. For example, the call processing system must be configured so that calls never default to a live operator unless the operator is specially trained and dedicated to handling inmate calls. Further, the call processing component should be capable of transmitting information received in the course of billing and collecting inmate calls so that the call control component can use such information as appropriate to implement additional restrictions on inmate calling.

NYNEX's CEI plan gives no indication of whether the call control and call processing functions that are central to the provision of ICS are considered by NYNEX to be part of its ICSO or part of its regulated network offerings. Since the call processing and call control system is the essential component of an inmate calling service, it is subject to deregulation on the same basis as the terminal equipment, regardless of whether the equipment that carries out call processing and call control functions is located on-premises or attached to the local exchange carrier's ("LEC") network in the central office.⁶ The

⁶ As discussed in earlier filings (see ICSPC's Docket 96-128 Comments at 18), before the emergence of competition, LEC ICSPs provided inmate calling services through the same network systems used to provide regular collect calling services. Increasingly, however, in order to compete with the sophisticated call control systems furnished by independent providers, LECs have migrated to providing the call control and call processing functions through discrete equipment similar to the inmate calling systems employed by independent ICSPs. Declaratory Ruling, ¶ 7. Some LECs, like the independent ICSPs, currently locate that equipment on the confinement facility's premise. Others locate the equipment in their central offices, or may locate the call control system on the premises and the call processing system in the central office.

(Footnote continued)

Commission did not rule on this issue in the Payphone Order or Order on Reconsideration. Therefore, it must be resolved in the context of deciding whether to approve NYNEX's CEI plan.

Further, NYNEX's plan does not disclose whether NYNEX is utilizing any regulated network-based operator service functions in its provision of ICS, and if so, the terms and conditions under which those functions, and the related transmission, validation and billing functions, are made available to NYNEX's ICSO and independent ICS providers. The Commission must require NYNEX to disclose this information, and must then determine whether NYNEX is making such operator functions and associated transmission, validation and billing services available to its own ICSO and independent ICS providers on a nondiscriminatory basis at cost-based, nonsubsidized rates.

In resolving these issues, the Commission is not bound by pre-Telecommunications Act precedent that demarcated the distinction between regulated "basic" service and nonregulated customer premises equipment ("CPE") and "enhanced service." Section 276 does not prohibit NYNEX only from subsidizing or discriminating in favor of enhanced services or CPE. It prohibits NYNEX from subsidizing or discriminating in favor of its "payphone service," defined as, among other things, "the provision of inmate telephone service in correctional institutions, and any ancillary services." 47 U.S.C. § 276(d). NYNEX may not subsidize or discriminate in favor of its inmate calling services

(Footnote continued)

Since the same functions are provided and are located in discrete pieces of equipment regardless of the equipment's location, it is impermissible to classify the service differently based on the equipment location.

any more than its inmate calling equipment. If the FCC allowed NYNEX to continue defining its inmate calling service as a "regulated" service, rather than as part of the deregulated "payphone service" offering as Congress intended, the rules would fail to prevent NYNEX from continuing to subsidize and discriminate in favor of its inmate calling service, and the CEI plan would be meaningless with respect to inmate calling services. Such an approach would make a mockery of Section 276 and the Commission's CEI policies.

For example, as discussed above, one of the critical differences between ICS and ordinary operator services is the high proportion of "bad debt" associated with ICS due to fraudulent or otherwise uncollectible calls. Monitoring to prevent fraudulent or uncollectible calls is a central function of an ICS call control and call processing system. However, even with sophisticated controls, bad debt from ICS far exceeds bad debt from other operator services as a percentage of billed revenue. In earlier filings in Docket No. 96-128, ICSPC demonstrated that Bell companies currently do not segregate bad debt associated with ICS from bad debt associated with ordinary operator services. Thus, the Bell companies effectively use revenues from other services to subsidize the costs associated with their bad debt from ICS.⁷ If NYNEX and other Bell companies are able to continue to define ICS and associated costs of bad debt as part of regulated service, they will be able to continue subsidizing this bad debt, contrary to the letter and intent of Section 276.

⁷ These costs include all costs associated with processing and carrying an uncollectible call, including validation, automated collect processing, transmission, and billing expenses. Since the revenue for the call is not collected, all the associated costs must be recovered from other revenues.

Further, independent ICS providers are competing by using their own call processing and call control systems, and should not be forced to route their ICS traffic to NYNEX in order to obtain the support services they require. The misinterpretation of Section 276 to require only that NYNEX's competitive ICS be made "available" through commission arrangements,⁸ to other ICS providers, would enable NYNEX to avoid any meaningful unbundling of its competitive ICS from the regulated services that are truly needed by independent ICS providers.

Congress clearly intended that Bell companies' ICS be removed from all subsidies from regulated revenues, so that the Bell companies' ICS would no longer be insulated from market forces. By allowing NYNEX to continue providing the critical ICS functions (i.e., the transmission validation, billing and collection of ICS calls) as part of a regulated service, exempt from Section 276's ban on subsidies and discrimination, the Commission would violate both the language and the intent of Section 276.

In summary, the reclassification of NYNEX's ICS, including call processing and control functions, as nonregulated is essential to prevent the subsidies and discrimination prohibited by Section 276, and cannot be dependent on whether NYNEX chooses to physically locate the call processing and/or call control system on its own premises or on the premises of its prison facility customer. NYNEX must remove its ICS business from

⁸ As discussed in ICSPC's comments on the BellSouth plan, BellSouth has offered a 45% commission plan to some ICS providers as well as, presumably its own payphone affiliate, if they will use its ICS. See Comments of the Inmate Calling Service Providers Coalition on BellSouth's CEI plan, filed December 30, 1996. Commission plans cannot serve as a substitute for the provision of network support on a nondiscriminatory basis, as required by the Act and the Payphone Order.

regulation as Congress intended. NYNEX must refile its CEI plan, describing precisely how it will provide nondiscriminatory interconnection to the systems that provide inmate calling services, wherever located, and not merely to the terminal equipment that is connected to ICS systems.

II. NYNEX'S PLAN IS DEFICIENT IN NUMEROUS SPECIFIC AREAS

NYNEX's plan fails to provide any detail about the manner in which NYNEX will provide network support to its ICSO and how that support will be made available to independent ICS providers.⁹

A. NYNEX Has Not Specified What Usage Charges Apply To Its ICS

NYNEX's Plan briefly describes a number of "Basic Services" (NYNEX Plan, Exh. B), but does not indicate which type of service (e.g., COPTS, SmartCoin) is provided to its ICS operation. The Plan does not even indicate how NYNEX's ICS operations will be charged for usage of the network by ICS calls. This is a fundamental deficiency. A major part of an independent ICS provider's expenses are its bills for local and intraLATA

⁹ One possible explanation for the absence of detail is that NYNEX may be assuming that its inmate calling services can remain fully integrated with regulated service while only the terminal equipment is provided as a deregulated operation. For the reasons discussed above, that is not a permissible interpretation of Section 276 or the Payphone Order. However, even if it were permissible for NYNEX's regulated service operation to be the ICS provider while its ICSO merely provides terminal equipment, the CEI plan is still deficient, because it fails to describe what commissions are paid by NYNEX to its ICSO and/or its inmate facility customers, and how such commission arrangements will be made available on a nondiscriminatory basis to independent ICS companies.

toll usage. Whatever rates are available to NYNEX's ICS operation (including, if available, a flat rate) must be equally available to independent providers.

B. Rates, Terms and Conditions for Any Regulated Network Operator Functions Used by NYNEX's ICSO Are Not Specified

If NYNEX provides inmate call processing and/or call control functions to itself as part of a regulated service, then it is necessary to describe in a tariff the terms under which that service is provided to NYNEX's ICSO and is available to other competing ICS providers. The tariffs attached to NYNEX's CEI plan, however, provide no information on the terms, conditions, and charges for the provision of these operator functions.

To the extent that NYNEX is permitted to provide its inmate call processing and/or call control functions in the regulated network, those functions must be provided to NYNEX's ICS operation on a tarified basis (as, for example, network-based coin control functions are provided to NYNEX's payphone operation). Otherwise, the real provider of ICS would be NYNEX's regulated service operations, not ICSO. Thus, for example, if ICS calls are being sent to a NYNEX operator center for processing by the same live or automated operators that process collect calls, NYNEX must provide those operator functions to its ICSO as a tarified service which is also available to other ICS providers at the same rates. The plan provides no information on whether such functions are provided, and if provided, at what rates.

C. The Plan Fails To Discuss The Types Of Fraud Protection Functions That Are Available To ICSO and Other ICS Providers

The Commission's Orders specify generally that fraud protection functions be provided on a nondiscriminatory basis. Payphone Order, ¶ 149. NYNEX's plan is silent on the type of fraud protection information that it makes available to, or for the benefit of its own ICS and independent ICS providers.

Independent ICSPs have historically been handicapped in their ability to compete with Bell companies' inmate calling services operations because the Bell companies have referred to provide critical account and fraud control information on an unbundled basis and on reasonable terms.

This information includes, among other things:

Called party account information, including Social Security number and customer code;

Service establishment date;

Disconnect Date and reason for disconnect;

Additional lines;

Previous telephone numbers, if any;

Service restrictions;

Class of service;

Payment history;

Calling patterns/returns;

Credit history; and

Features (e.g. call forwarding or three-way calling)

This type of information is especially critical in the ICS environment because of the high incidence of fraud and bad debt incurred by ICS providers. Section 276's directive that the Bell companies not discriminate in favor of their own operations requires that the account and fraud control information listed above be made available to independent ICSPs if it is provided to or for the benefit of NYNEX's ICS.

However, NYNEX's CEI plan is silent on whether any of this information is provided to, or for the benefit of, NYNEX's ICSO or other ICS providers. The experience of ICSPC members is that this information is available from Bell companies, if at all, only if the ICS provider enters a billing and collection agreement directly with the Bell company. However, the cost of entering into such a billing arrangement is high.¹⁰ As a result, the vast majority of independent ICSPs use third-party billing clearinghouses. The billing agreements between the Bell companies and such third-party clearinghouses typically prohibit the use of information supplied to the clearinghouse by any other party. Clearly, it is not permissible for NYNEX to condition the availability of a critical CEI function on the purchase of a nonregulated service (billing and collection) from NYNEX. NYNEX should be required to refile its plan and to disclose (1) what kind of fraud prevention information is provided to, or for the benefit of, its ICS, (2) how such information is provided,¹¹ and

¹⁰ Billing and collection agreements can require up front payments by independent ICSPs of \$75,000 or more.

¹¹ For example, if this information is available on a real-time basis to validate
(Footnote continued)

(3) what arrangements have been made to provide the same information on the same basis to independent ICS providers.

D. The Plan Fails to Discuss Validation

Section 276 requires that information related to validation of called numbers must be available on the identical nondiscriminatory basis to independent ICS providers as to NYNEX's own ICS.¹² Yet, NYNEX's CEI plan says nothing about validation. For example, the CEI plan does not state whether NYNEX's ICSO relies on LIDB validation of its ICS calls. The cost to ICSPs for each LIDB check, using currently available services from designated LIDB providers is \$.06 or more. Since it has been asserted that every attempted call must be validated, including repeat calls, and since many call attempts are

(Footnote continued)

NYNEX's ICS calls, then NYNEX should make available on-line access to this information to independent ICS providers as an option so that they can check any relevant item before completing an inmate call. Such on-line access would enable an ICS provider to identify potential problems and minimize the bad debt that is incurred.

¹² The nondiscrimination requirements of Section 276 in this area are comprehensive, and are not limited by the contours of the Commission's rules in Docket No. 91-115. Policies and Rules Concerning Local Exchange Carrier Validation and Billing Information for Joint Use Calling Cards, 7 FCC Rcd 3528 (1992). The Commission's validation rulings in that proceeding, which focused primarily on validation of calling cards, concerned validation of interstate calls, which are primarily carried by IXCs rather than LECs. Further, the orders in that proceeding involved the nondiscrimination provision of Section 202, which is more qualified and limited in scope than the nondiscrimination provision of Section 276. Cf. Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, First Report and Order, FCC 96-325, released August 8, 1996, ¶¶ 218-19 (Nondiscrimination standard in Section 251 of the Act is not qualified and therefore more stringent than "unjust and unreasonable discrimination" standard of Section 202).

made to busy numbers, unanswered calls, and refused calls, ICSPs can spend 20 cents or more on validation for every revenue-generating call.

Clearly, it is important for NYNEX's CEI plan to state whether its ICSO is relying on LIDB validation or some other mechanism for validation of ICS calls. To the extent that NYNEX is providing validation to its own ICSO for calls terminating in its territory, either indirectly through a LIDB service provider, or directly, in some manner that allows better service and/or reduced charges, NYNEX's ICSO must pay charges for such validation and make the same rates and service available to ICSPs.

In addition, NYNEX's CEI plan fails to address the problem of competitive local exchange carrier ("CLEC") number validation. LIDB at this time provides no indication that a called party has changed telephone companies from an incumbent LEC to a CLEC.¹³ If the called number validated properly before the change of LEC, it continues to do so. As a result, based on LIDB alone, an ICSP has no way of knowing that it should not continue to send its billing data to the LEC. Two to six weeks later, the LEC reports the call as unbillable and the independent ICSP currently is not informed why the call was unbillable. And, even if it could determine that the call was to a CLEC, the independent ICSP does not know which CLEC. Meanwhile, the ICSP has paid NYNEX or intermediaries a validation fee and a billing and collection fee for every call to the CLEC, and in some cases must pay additional fees to receive back-up information.

¹³ While CLECs' market shares of the overall residential market are currently very low, ICSPC's experience is that inmates are aware of this area of vulnerability and place a greatly disproportionate share of ICS calls to CLEC numbers.

If NYNEX makes available for the benefit of its own ICS calls information about the fact that a called party has changed carriers, and the identity of the CLEC, NYNEX's ICSO will receive a tremendous preference, contrary to Section 276(a). ICSPC understands that, at some point, information about CLEC changes will become available in a new software release for LIDB. Pending availability of adequate information, this information must be made available in a timely and nondiscriminatory manner. To the extent that it is furnished to or for the benefit of NYNEX's ICSO, NYNEX's ICSO must pay a charge and the same rates and service must be available to independent ICSPs.

Accordingly, NYNEX must refile its plan describing the manner in which call validation information, including information about CLEC changes, is made available to, or for the benefit of, NYNEX's ICSO.

NYNEX should also describe its arrangements for exchanging billing and collection services with other LECs and explain how it will make such services available to its own ICS and independent ICS providers. This is especially important because some independent LECs refuse to provide billing and collection for independent ICS providers. To the extent that NYNEX is using its mutual billing arrangements with other LECs as a way to obtain billing of its ICS calls placed to customers in such LECs' service territories, NYNEX must make the same arrangements available to other ICS providers.

**E. The Plan Fails To Provide For Nondiscriminatory
Treatment Of Bad Debt**

As a result of their current practices, Bell companies' ICS operations do not have to account for their bad debt.¹⁴ The Bell companies do not retain information regarding the calling number when they bill a call on behalf of their ICS operations. As a result, they are unable to charge back against their ICS operations the costs of those ICS calls for which they are unable to collect. These costs, of course, include all the types of costs just discussed for network usage, operator processing, validation, and billing services, which, in the case of uncollectible calls, cannot be recovered from the party billed for the call.

Currently, ICS uncollectibles apparently go into a common pool with regulated residential and business bad debt, and regulated ratepayers bear the costs of the Bell companies' ICS's bad debt. Furthermore, to the extent that the Bell company attempts to charge back bad debt to its ICS based on some average bad debt, there is still a subsidy of the Bell company's ICS. As explained above, ICS bad debt is much higher than bad debt for other services. Averaging in ICS bad debt with other bad debt dilutes the level of chargeback to ICS, with ratepayers picking up the shortfall.

¹⁴ Bell company inmate services operations send their call records to the Bell company's billing and collection departments in the standard format generated by the Automatic Message Accounting ("AMA") system. The calls therefore appear on the customer's regular billing pages. Presumably, NYNEX can disconnect a subscriber's line for nonpayment - a step it will not take on behalf of independent ICS providers if the subscriber denies all knowledge or otherwise disputes the call.

By contrast, because independent ICSPs bill for their calls using a different record format, the Bell company has a record of who the billing party is.¹⁵ Thus, when the Bell company cannot collect for a call, that bad debt is charged back to the independent ICSP, which then must account for its entire cost. In addition, the independent ICSP is liable for the costs of the call, even though it is unable to collect from the called party.

NYNEX's plan does not explain how it intends to handle bad debt for its own ICS and independent ICS. NYNEX must be required to refile its plan and to show in detail how bad debt is addressed.

F. The Plan Fails to Provide Technical Interface Information

NYNEX's plan does not state whether its ICS call processing and call control systems dedicated to ICS are located on customer premises or in central office peripherals. If dedicated systems are located in the central office, then CEI principles require that NYNEX allow other providers to physically or "virtually" collocate equipment. The plan does not provide any information about how such collocation will be accommodated, including detail on how NYNEX's call processing equipment technically interfaces with its regulated network operations.

¹⁵ In order to bill a call, independent ICSPs send a call record to a third party service bureau (or where there is a direct billing and collection agreement with the Bell company, to the Bell company's billing and collection department). The independent ICSP sends the call record in the standard format used for third party billing, Exchange Message Interface ("EMI"). Calls billed in the EMI format appear on a separate page in the called party's bill. This makes it possible for the billed party to easily identify, and not pay for, those calls.

The plan fails to provide detail on interfaces between NYNEX's ICS dedicated equipment and its regulated network support services, so that other providers can utilize the same interface if they wish. For example, in order to minimize fraud and other uncollectible calls, network support services should communicate information to the ICSP so that additional call restrictions can be implemented as appropriate.¹⁶ Whatever mechanisms are used for such communications must be equally available to independent ICSPs.

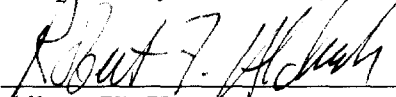
¹⁶ For example, if collect calls to a certain number are determined to be uncollectible, that information should be sent to the ICSP so that calls to that number are no longer allowed.

CONCLUSION

For the foregoing reasons, NYNEX's CEI plan must be rejected and NYNEX must be instructed to submit a CEI plan that addresses ICS forthrightly and in the necessary detail. Therefore, NYNEX's CEI plan must be rejected. NYNEX must be required to refile its plan in accordance with the foregoing comments. Since a great deal of relevant material was omitted and must be supplied, the Commission should require the refiled plan to be served on commenting parties and to be subject to the same comment period, so that parties have an adequate opportunity to review and comment on the new material submitted.

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Respectfully submitted,



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